After Brief Reprieve, Thrift Industry Facing More Hard Times

Continued from Page 9

away and decrease the original value of the market share, accountants require the acquiring thrift to subtract the goodwill from its assets over a number of years.

Goodwill hardly existed on thrift balance sheets before 1981. Because of the rash of intraindustry mergers, however, it mushroomed from about $200 million in 1980 to $2.3 billion in 1981 and $21.8 billion in 1983.

But when the intangibles are removed, it is revealed that the entire industry has actually weakened over recent years, says Warren Heller, chief economist for Veribank Inc., a data processing firm.

"It's a matter of even the stronger getting weaker, not just the weak getting weaker," says Mr. Heller, who recently completed his own study of the industry's tangible net worth over the past three years.

Discounting intangible assets also leaves savings and loans with barely 0.5% of primary capital, or net worth.

'A Devastating Assessment'

That washing out of the industry's questionable assets results in "a devastating assessment of the industry," says John Stone, a consultant with Lyons, Zomback & Ostrowski.

But, he says, that assessment also ignores a savings and loan's inherent attraction to potential buyers — and thus the industry's resiliency.

Adds Allan Bortel, a thrift analyst with Shearson/Lehman American Express, in a recent report on the industry: "A large buying interest exists for ownership of S&Ls among dozens of nonfinancial corporations and individual pools of capital as a way of getting into 'banking' or 'financial services.'"

Thrifts also can operate for years with a negative net worth, says Mr. Chaut of Becker Paribas. "There's a big difference between technical bankruptcy and liquidation," he points out.

The question is whether thrifts will drift further into the red. Mr. Chaut says: "If rates continue to go up, it will be a real problem."

Rates that ratchet up just another point or two, in fact, will renew an air of crisis: "We'll be back into the debacle of 1981-1982," Mr. Jacobe says.

If rates plateau at that high level for five years, 1,000 S&Ls would probably disappear into mergers or liquidations, says Richard Pratt, former chairman of the Bank Board.

That would shake out nearly a third of the remaining 3,200 institutions insured by the Federal Savings and Loan Insurance Corp. and would drain the insurance fund's reserves.

"Congress would have to step in and provide additional assistance," says Mr. Pratt, now president of Merrill Lynch Mortgage Capital Inc.

Pulling Rabbits from Hats

Another former regulator, James Croft, predicts that such a plateau in rates could hit the industry even more quickly.

"During the last round of high rates, the weak institutions pulled all the rabbits out of the hat that they had," says Mr. Croft, who formerly held Mr. Hemel's post as the Bank Board's director of policy and economic research.

Thrifts sold off assets to get them through the last crisis, assets they don't have as a cushion now, says Mr. Croft, who now works for the consulting firm of MCS Associates, Los Angeles.

"If rates go up and stay where they were before, the result would be much more severe than last time," Mr. Croft says.

But current regulators say those predictions sound too dire. Much depends on which rates go up, says Mr. Hemel, the Bank Board's director of policy and research.

Growing Importance of Intangible Assets to Savings & Loans

FSLIC-Insured Institutions
(Dollars in Thousands)

	Dec. 1981	Dec. 1982	Dec. 1983
Total assets	$651,024,473	$686,225,652	$814,425,459
Regulatory net worth	$27,830,460	$25,334,751	$32,740,274
Minus:			
Net worth certificates	0	377,986	1,025,881
Appraised equity capital	0	674,518	1,236,812
Deferred loan losses	752,508	3,638,005	4,556,885
GAAP* net worth	**$27,077,952**	**$20,644,242**	**$25,920,696**
GAAP net worth/assets	**4.2%**	**3.0%**	**3.2%**
Minus:			
Goodwill	2,363,944	16,567,056	21,764,958
Tangible net worth	**$24,714,008**	**$4,077,186**	**$4,155,738**
Tangible net worth/assets	**3.8%**	**0.6%**	**0.5%**

*This is one method of estimating what an accountant would consider the industry's net worth, according to generally accepted accounting practices.
Source: Federal Home Loan Bank Board, compiled by DRI Associates Inc.

Thrifts now depend more on short-term deposits, such as money market accounts, he says, and they would be hit harder by a hike in short-term rates.

"Today does not yet parallel what happened at the worst of 1981," Mr. Hemel says, when short-term rates zoomed even higher than long-term rates and were as much as six percentage points higher than today.

"Things went really bananas then," he adds.

In 1981-82, the regulatory net worth of thrifts plunged by one-fourth, or $7 billion. Some 730 federally insured savings and loans — one of every six — dissolved into mergers or liquidations.

More than 400 other institutions faced the immediate danger of insolvency before interest rates fell in the fall of 1982.

Merger Pace Slowing

Fall they did, and rather dramatically, from an average of about 13% to an average of about 8%. By the end of 1982, the thrift industry began reporting profits again.

Mergers and closings continued in 1983 but involved fewer than 200 institutions. The pace this year has slowed further to an annual rate of about 50 institutions a year.

But the rising interest rates that crippled the industry for two years would undoubtedly do the same again.

"Last year's window of lower rates never opened far enough or long enough," says Mr. Bortel, the Shearson analyst. "There already are a lot of thrifts with their fingers caught in the window."

Industry leaders say they moved quickly to flush out their weak loan portfolios. Most thrifts last year switched to adjustable-rate loans, whose rates swing with the market. Some 80% of loans originated by savings and loans this year carry adjustable rates, according to Bank Board figures.

Thrifts also beefed up their mortgage banking activities, selling a record number of new and old loans to investors, rather than holding them in their portfolios.

"Mortgage banking has become a big part of every thrift's operations — and is a key to future profits," says Ray Martin, president of Coast Savings and Loan, Los Angeles.

But some say many thrifts, long protected by federal regulations, don't yet have the personnel to compete in today's deregulated ballgame.

"It's a shame that more institutions did not take advantage of last year's rates to rebuild," says Mr. Croft, who expresses general disappointment over the industry's response.

Adds Mr. Pratt: "In their defense, for decades there was no reason to learn how to compete."

Criticism of Mutuals

The urgency becomes more apparent for the publicly owned thrifts, whose managers must respond to their stockholders, consultants say.

"I won't even accept an offer to study the portfolios of most mutuals," says one consultant who helps thrifts restructure their assets. "They make a lot of noise about doing something, but they rarely move once we chart out the alternatives."

No matter; thrifts needed at least three years of lower rates to successfully restructure, economists say.

"Those institutions with the people and systems in place could and did restructure," Mr. Pratt says. "But even if the entire industry had been prepared, the markets just could not have absorbed that much activity."

Now, after only a year's reprieve that allowed slender profits, savings and loans face escalating rates again while still vulnerable.

Most of last year's profits came to the already stronger publicly held thrifts, and those in strong lending regions. California, a hotbed for housing and new loans at current rates, continues to attract applications for new thrifts.

But the industry's weaker end only grew weaker. New York's savings and loans, for example, continued to lose money because of portfolios still dominated by old fixed-rate loans.

A weak thrift cannot afford to sell its old loans: While selling loans brings a cool rush of cash, old loans sell at a loss.

"The weaker members just can't afford to give up that loss in the short-term," says Mark Clark, senior vice president of the U.S. League.

New Powers Not Realistic

Weaker thrifts also can less afford to dive into the new powers granted by Congress, such as expanded commercial lending rights.

Regulators appear well aware of the problems.

"We hear a lot of scare stories — that agencies are overwhelmed with supervisory cases," says Mr. Carron, the Shearson economist.

"What I want to suggest is that the regulators are trying to appear only somewhat more concerned," he adds, "so we won't really know how bad a shape the thrifts are in."

Regulators were accommodating during the last round. First, in 1981, the Bank Board eased net worth requirements from 5% net worth to 3% of assets; institutions below that point became candidates for forced mergers or liquidation.

As the industry continued to slide in the face of skyrocketing rates, the Bank Board decided to pump in interim support.

Net Worth Certificates

The regulators, with the blessing of Congress, decided to give ailing thrifts "net worth certificates" that represent guaranteed cash from the government, above and beyond account insurance.

The program's authorization extended three years, until December 1985, but as early as this past March the U.S. League decided that would not be long enough. The league that month adopted a legislative program that includes a three-year extension for the net worth certificates.

The trade group also wants the Bank Board to expand the program to its current authorized level. The program actually in place gives qualifying savings and loans only about half the aid that has been authorized by Congress.

The Bank Board's adopted stance of supporting the thrift industry appears to have strengthened under Chairman Edwin Gray, a 1982 Reagan administration appointee, and the board also is reportedly looking for other ways to ease capital requirements.

"This board, as a whole, is about as pro-industry as any board has been," says Norman Raiden, Bank Board chief counsel.

The capital assistance and other accounting issues increasingly blur the true nature of the industry's strength. Analysts and stock investors thus usually prefer the "tangible" net worth ratios as a measure of relative strength.

Conversions from mutual to stock companies, which brought more than $6 billion in cold cash to the industry in 1983 alone, remain one of the best hopes for strengthening savings and loans.

So the skeptical light cast by analysts on the industry's performance in 1983 raises even more doubts that the savings and loans can recover on their own — or ever, for that matter.

"We need to extend the interim measures," says Mr. Clark of the U.S. League. "We just haven't had time enough as an industry to recover."

That requires congressional action, and that worries Mr. Pratt.

"The more they have to go to Congress, the more likely that Congress will get fed up with them," he says.

The price could be constraints on future growth — and that, in the industry's mind, would represent reregulation in the worst way.

"If carried through, that approach would strangle the thrift industry," says Mr. Carron.

He and many others argue that the regulators caused the current problems in the first place. Congress and the Bank Board took too long before lifting the ceilings on the rates that thrifts can pay for deposits, they say, and they crippled the industry's ability to compete in the late 1970s.

Mr. Carron argues that instead of sweeping industry constraints, the Bank Board should beef up its supervision of individual institutions. "They should be going after the few institutions that can cause the problems for the whole," he says.

But if rates cause another widespread crisis, thrifts may not escape a broad-brushed approach from Congress, Mr. Pratt believes.

"If thrifts continue to be a sore spot, if they can't get their own house in order," he says, "Congress will want to at least shrink that sore spot." ■

This is the first of a two-part look at the problems of the thrift industry.

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TODAY

PLEASING THE PAC MEN: It's an election year, and the people who man the political action committees for the financial industry are taking a close look to see just who their friends are on Capitol Hill. Turn to pages 3 and 22 for tables 3

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HOME BANKING GROWS: The number of American households banking at home is swelling rapidly, according to an *American Banker* survey, but only a fraction of the potential market is being tapped..... 1

EARNINGS OFF: Reduced bond trading profits and lower foreign exchange revenues are cited as main reasons for lower second-quarter earnings at the money center banks1

MERGER OFF: First Atlanta Corp. and Southeast Banking Corp. have suspended talks regarding a possible merger 1

BANKING TRENDS: Banking used to be a sort of natural monopoly, but as it isn't anymore, banks should be free to price their services as they see fit, argues Dr. Paul S. Nadler . 4

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THE BACK PAGE: Bank accounting is now a far more complex and strategically important field than it was when he started out in 1957, says Robert C. Isban, the new chairman of the Bank Administration Institute 24

Quote

He's a lost cause. There's no sense in even talking to him, let alone giving money.

Robert B. Evans, president of the American Financial Services Association and treasurer of its political action committee, of Rep. Henry Gonzalez of Texas, generally considered to be a consumer advocate. [3]

Unquote

Home Banking: The Growing Infant

By DAVID O. TYSON

NEW YORK — About 26,000 American households now bank at home through terminals or microcomputers, up from 17,000 in May.

Proportionately, the increase — more than 50% in two months — is enormous since the last *American Banker* survey. But the numbers remain only a tiny percentage of the potential market, which is considered to be the nearly one million owners of personal computers equipped with

Home Banking Programs in Operation and Planned, Page 10

modems, the device enabling computers to communicate over phone lines.

More than half the households, some 14,000, are customers of the Bank of America. And most of the rest, about 8,000, do business with Chemical Bank, developer of the Pronto system. Those two banks dominate what still is a small market for home banking services.

Altogether, 27 depository institutions now run home banking programs, according to the survey. Eleven of these are still in pilot tests.

Another 26 institutions have stated that they intend to get into bank-at-home services. Fifteen of them plan to use the Home Banking Interchange, a consortium put together by ADP Telephone Computing Services Inc., Seattle. Another HBI participant already is up and running: the Bank of Montreal is fully operational in

➳ Home Banking: Page 11

Most Earnings Off In Second Quarter

By JOHN P. FORDE

NEW YORK — Major multinational banks were hard pressed to match last year's second-quarter earnings. Bond trading profits were reduced, and foreign exchange revenues were off as banks guessed wrong on the strength of the dollar. Argentine loan losses also added to the difficulties of some banks during the period.

News Analysis

But analysts saw positive trends in net interest spreads from the first quarter. And during the second quarter, solid loan demand helped regional banks to show "generally positive earnings, which were in line with or better than expec-

➳ Earnings: Page 14

First Atlanta, Southeast Suspend Talks on Merger

Special to the American Banker

ATLANTA — First Atlanta Corp. and Southeast Banking Corp. of Miami said Friday they have suspended talks regarding a possible merger.

The companies said they terminated discussions because of problems in establishing an exchange ratio satisfactory to the shareholders of both companies.

In New York Stock Exchange trading late Friday, Southeast shares were at $24.625, compared with $24.75 at the close Thursday. First Atlanta shares were trading at $20.125, up from

➳ Southeast: Page 11

Customers Believe Rise in Bank Fees Unneeded: Survey

But Service Charges Are Minor Factor In Choosing Institution, ABA Learns

By LISA J. Mc CUE

WASHINGTON — The majority of people recently surveyed by the American Bankers Association do not believe bankers' claims that increased fees for services are necessary to cover the cost of a bank's business.

"Almost six Americans in 10 disagree with the position of banks that increased service fees are only covering the additional costs of higher interest on accounts like Money Market, IRAs, and certificate of deposit," according to the report.

However, 47% of the 1,500 participants surveyed by telephone said that the level of fees charged by a bank is the least important factor in choosing a bank. Some questions were answered by a reduced (85%) sampling. People who answered these questions had relationships with both a commercial bank and a savings and loan.

Convenience, defined as a bank's locations, hours, and automatic teller machine access, was cited as the most important reason for choosing a bank. Some 32% of the respondents named that as their top priority.

A bank's range of financial services was noted as the second most important reason by 30% of those polled, and the third leading reason was identified as the rate of interest paid on checking and savings balances (28%).

On another subject, 67% of the reduced sampling said their bank does not routinely place a hold on deposited checks, freezing funds for more than two days.

Federal lawmakers have become in-

➳ Survey: Page 23

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As Fall Elections Approach, Voting Records Eyed Closely by Political Action Committees

A Lot of Reassessment About Whom One's Friends Are, Says a PAC Treasurer

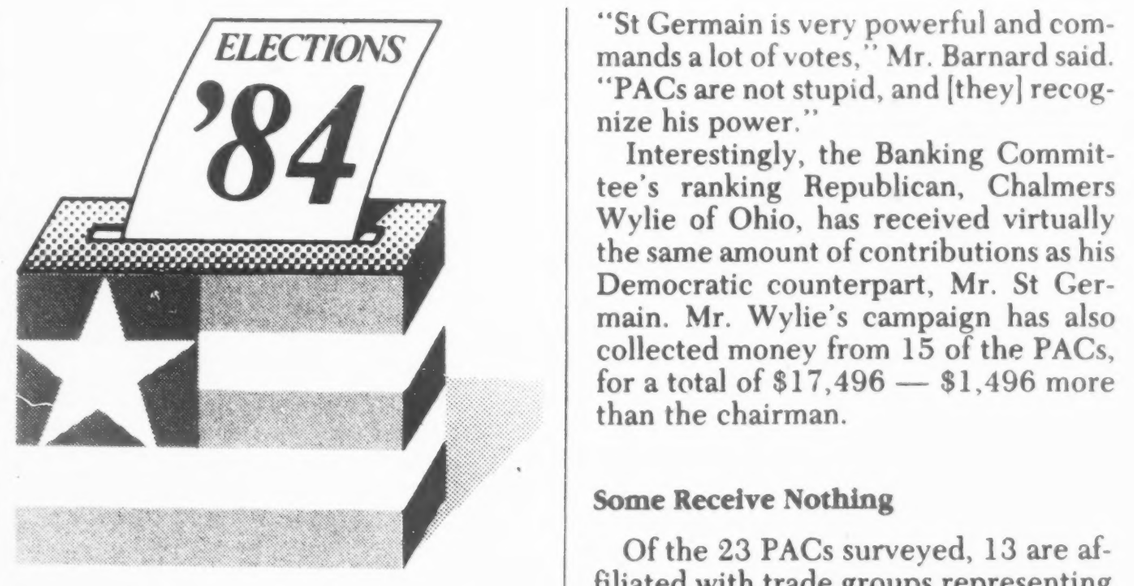
By LEE J. MILLER

WASHINGTON — In the midst of this election year, members of Congress are faced with having to make legislative choices on banking deregulation. And the way they vote will have an impact on how generous the financial industry is to their reelection campaigns.

Recent votes in the House and Senate banking committees permitted observers to take a close look at the positions of individual lawmakers with regard to the financial industry. Robert B. Evans, president of the American Financial Services Association and treasurer of its political action committee, said, "Markups [the committees' step-by-step revisions of bills] allowed us to measure for the first time where members of the [banking] committees really stand ... and there's a lot of reassessing going on about who your friends are and are not." In political terms, that means the reallocation of campaign contributions.

While the political action committee idea has been around for about 50 years, this contribution system has really been used only since the 1971 passage of the Federal Election Campaign Act. The law allows corporations, which had been prohibited since the turn of the century from giving money to the campaigns of candidates for federal office, to use PACs as a way of channeling funds into political war chests.

A survey of contributions to members of the House Banking Committee from 23 major financial PACs, based on the most recent data available from the Federal Election Commission, shows that members of the financial services industry have similar tastes when it comes to whom they want and don't want in Washington.



And chief among those House Banking Committee members whom the industry seeks to influence are Doug Barnard, D-Ga., and committee Chairman Fernand St Germain, D-R.I.

Overall, the ABA contributed $44,450 to 30 committee members through March 31. The Federal Election Commission has not compiled figures for the second quarter of this year.

Mr. Barnard, a former banker, received a total of $12,250 in contributions from 20 of the surveyed PACs. "Barnard is very important to the banking industry," said Brian Meyer, treasurer of the American Bankers Association PAC. "He is very much in support of bankers' needs."

Mr. St Germain received contributions from 15 PACs totaling $16,000. Although he was instrumental in the House committee's deregulation bill, which is less favorable to banks than the Senate version, and he often seems to be a thorn in the side of the industry, he is both respected and feared.

"He's the chairman of the committee," said Karl Hoyle, the chief lobbyist for the Credit Union National Association. "You can't overlook him, no matter what." CUNA has contributed $24,780 to 28 banking committee members.

Even Mr. Barnard agrees that contributions to Mr. St Germain are almost mandatory for financial industry PACs. "St Germain is very powerful and commands a lot of votes," Mr. Barnard said. "PACs are not stupid, and [they] recognize his power."

Interestingly, the Banking Committee's ranking Republican, Chalmers Wylie of Ohio, has received virtually the same amount of contributions as his Democratic counterpart, Mr. St Germain. Mr. Wylie's campaign has also collected money from 15 of the PACs, for a total of $17,496 — $1,496 more than the chairman.

Some Receive Nothing

Of the 23 PACs surveyed, 13 are affiliated with trade groups representing thrift, real estate, securities, insurance, and commercial banking interests. The remaining 10 are the individual PACs of the nation's largest banks or their holding companies.

At the other extreme of the House Banking Committee scale are Douglas Bereuter, R-Neb.; William Coyne, D-Pa.; Jim Leach, R-Iowa; Parren Mitchell, D-Md.; Charles E. Roemer III, D-La.; and Charles Schumer, D-N.Y. None of these representatives received any funds from the surveyed PACs. Ed Bethune, R-Ark., and Ron Paul, R-Texas, who also received no contributions, are not running for reelection.

Mr. Meyer of the ABA said that while some candidates were not given funds because they were "less liked by the industry," other factors are involved.

He said Mr. Bereuter is relatively new and unknown on the committee, but expressed surprise that Mr. Mitchell had been passed over. "As for Leach, he has made it well known that he will not accept any contributions from PACs," Mr. Meyer said.

Mr. Schumer, although his New York district is located near a major money center, appeared to be snubbed for a different reason. No one interviewed would comment specifically on the Democrat, but records show he often opposes legislation supported by the financial services industry. For instance,

➡ PACs: Page 22

Who Gets the Bucks from the PACs

Representative	Number of Contributions	Total Amount
Frank Annunzio, Ill.	2	$ 3,750
Doug Barnard Jr., Ga.	20	12,750
Steve Bartlett, Tex.	8	6,205
Douglas Bereuter, Neb.	0	0
Ed Bethune, Ark.[4]	0	0
Thomas Carper, Del.	12	11,500
Jim Cooper, Tenn.	16	13,200
William Coyne, Pa.	0	0
Norman D'Amours, N.H.	9	5,600
David Drier, Calif.	8	5,875
Ben Erdreich, Ala.	11	9,700
Walter Fauntroy, D.C.	9	4,700
Barney Frank, Mass.	11	9,300
Robert Garcia, N.Y.	14	4,350
Henry Gonzalez, Tex.	2	1,100
George Hansen, Idaho	6	10,500
John Hiler, Ind.	9	8,280
Carroll Hubbard Jr., Ky.	11	7,100
Marcy Kaptur, Ohio	2	500
John J. LaFalce, N.Y.	14	8,000
Jim Leach, Iowa[1]	0	0
Richard Lehman, Calif.	14	9,750
Sander Levin, Mich.	11	3,400
Bill Lowery, Calif.	14	8,750
Mike Lowry, Wash.	8	3,750
Stan Lundine, N.Y.	15	6,000
Bill McCollum, Fla.	9	9,100
Stewart McKinney, Conn.	15	8,950
Joseph Minish, N.J.	12	4,850
Parren Mitchell, Md.	0	0
Bruce Morrison, Conn.	1	2,000
Stephen Neal, N.C.	16	7,700
Mary Rose Oakar, Ohio	7	3,210
Stan Parris, Va.	10	13,250
Bill Patman, Texas	9	5,450
Jerry Patterson, Calif.	14	16,500
Ron Paul, Texas[4]	0	0
Tom Ridge, Pa.	14	14,750
Buddy Roemer, La.	0	0
Marge Roukema, N.J.	13	6,050
Fernand St Germain, R.I.[2]	15	16,000
Charles Schumer, N.Y.	0	0
Norman Shumway, Calif.	9	3,300
Esteban Torres, Calif.	11	6,650
Bruce Vento, Minn.	7	2,625
George Wortley, N.Y.	18	13,132
Chalmers Wylie, Ohio[3]	15	17,496

[1]Does not accept PAC contributions. [2]Committee chairman. [3]Ranking minority member. [4]Not running for reelection.

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Ailing Empire to Shut Branches, Seek Savings Bank Charter

By PHILIP T. SUDO

NEW YORK — Empire of America announced Thursday it will close eight branches in its northern division and seek to convert its charter from a federal savings and loan association to a federal savings bank.

Paul A. Willax, president and chief executive officer of Empire, commonly know as the Big E, said the thrift's projections show it losing money this year in both its northern division, which includes New York and Michigan, and its southern division, which includes offices in Florida and Texas.

Empire, whose headquarters are in Buffalo, N.Y., has 125 full-service branches in those four states and affiliates in 42 other states.

Mr. Willax blamed the projected losses on rising interest rates and said that the northern division, which is carrying $2.25 billion in low-yield, fixed-rate mortgages, loses $70 million every time interest rates increase by one point.

The branches being closed include five near Detroit and three in upstate New York — Clifton Park near Albany, and Whappinger Falls and Washingtonville near the Hudson Valley.

The branch closings, which will take effect Oct. 1, were not directly related to anticipated losses this year, Mr. Willax said. The closings, he said, were mainly due to rapid consolidation following Big E's mergers with 12 banks in the last three years.

Linda P. James, senior vice president of Empire, said 172 of its 3,272 workers will be losing their jobs. She noted that 34% of the employees were part-time, that about 60% of them have worked for the thrift less than two years, and that 80% have been with the thrift for no more than five years.

Most of the cuts, Empire said, are in the human resources and legal departments, which are being consolidated into national departments. Ms. James said that the layoffs include officers as well as tellers.

Headquarters Returning to Buffalo

Even if Empire's projections had anticipated a profitable 1984 and 1985, Mr. Willax said, "Most of the staff reductions still would have been necessary."

The northern division will take "at least several years to return to profitability," he said.

The southern division "has a fairly current portfolio," he said, although present projections have the division losing money in 1984. A small decrease in interest rates could turn that division's losses into an operating profit, Mr. Willax said.

Empire had announced plans to go public last year but was delayed by a dispute with federal regulators over which accounting system had to be used to determine its net worth in a public offering.

According to Mr. Willax, Empire's board of directors has decided to move the thrift's charter from Southfield, Mich., back to Buffalo.

Empire's predecessor, Erie Savings Bank, had been chartered in Buffalo originally, but when it merged with American Federal Savings & Loan Association in Southfield, it adopted American's charter to pursue a public stock offering —an action prohibited at that time in New York State.

Now that New York allows conversion to stock ownership, it "makes sense to bring the official headquarters back to Buffalo," Mr. Willax said.

Wednesday, depositors gave the thrift permission to convert its charter from federal savings and loan association to federal savings bank.

"Our conversion to a federal savings bank is primarily a marketing consideration," Mr. Willax said in a prepared statement. "Our research reflects that the average consumer perceives savings banks as providing a broader range of services than the more traditional savings and loan association."

The conversion, he said, was approved by depositors at a special membership meeting at the thrift's Eastern Hills Branch in Amherst, N.Y., and must now be approved by the Federal Home Loan Bank Board. Board approval is expected in about 30 days.

The conversion requires that Empire update its charter and bylaws to conform with FHLBB regulations. ■

Security Trust Co. Names 3 Senior Vice Presidents

ROCHESTER, N.Y.— James J. McAssey, Timothy J. Leach, and William J. Browne have been named senior vice presidents at Security Trust Co. of Rochester.

Mr. McAssey, currently vice president and auditor of Norstar Bancorp Inc. of Albany, N.Y. — Security Trust's parent — has been named senior vice president and manager of Security Trust's administrative services division. Mr. McAssey will be relocating to Rochester with his family.

In his new position, Mr. McAssey, 45, will be responsible for Security Trust's staff services, such as operations, facilities management, and human resources. He will report to the bank's president, Erland E. Kailbourne.

Mr. McAssey has been with Norstar since 1977. Prior to that, he was vice president and general auditor of National Bank of North America, New York.

Mr. Leach, 39, has been named senior vice president and manager of the retail banking division. He will be responsible for the bank office administration and consumer lending departments. Mr. Leach joined Security Trust Co. of Rochester as manager of market research in 1970 and became vice president and manager of Security Trust's marketing department in 1974 and of Security New York State Corp. in 1975.

Mr. Browne, 46, currently senior vice president and marketing director of Liberty National Bank, a Buffalo-based subsidiary of Norstar, has also been elected a senior vice president at Security Trust. He will be coordinating marketing activities.

Security Trust Co. is a regional commercial bank formed by the April 1, 1984, consolidation of eight former affiliate banks of Security New York State Corp. ■

Sears Unit Seeks Approval Of $500 Million Offering

WASHINGTON — Sears Mortgage Securities Corp., a unit of Sears, Roebuck and Co., filed with the Securities and Exchange Commission for a shelf offering of up to $500 million in adjustable-rate mortgage pass-through certificates.

The company said terms would be set as each series of certificates came to market. ■

Financial Industry PAC Contributors To House Banking Committee Members

	Number of Contributions	Total Amount
National Association of Home Builders	35	33,846
National Association of Realtors	35	$60,250
Mortgage Bankers Association	34	20,200
American Bankers Association	30	44,450
Independent Bankers Association of America	29	11,850
Independent Insurance Agents of America	28	16,597
Credit Union National Association	28	24,780
Citicorp	28	22,475
American Financial Services Association	27	8,000
U.S. League of Savings Institutions	27	16,475
National Association of Federal Credit Unions	24	6,200
Securities Industry Association	19	10,700
First Chicago Corp.	13	5,000
Security Pacific Corp.	13	3,625
J.P. Morgan & Co.	11	5,500
BankAmerica Corp.	11	3,450
Consumer Bankers Association	9	2,500
Investment Company Institute	7	3,100
Bankers Trust New York Corp.	6	3,000
Chemical Bank	5	1,375
Manufacturers Hanover Corp.	3	1,000
Continental Illinois Corp.	3	700
Chase Manhattan Corp.	0	0

PACs . . .

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Mr. Schumer wanted to require commercial banks to reschedule loans to Argentina before the Treasury could approve the International Monetary Fund bailout, and he sponsored a bill to eliminate profitable rescheduling fees that banks charged to cash-strapped countries.

'He's a Lost Cause'

Also toward the bottom of the contributions list were two high-ranking Democrats, Rep. Henry Gonzalez of Texas and Rep. Frank Annunzio of Illinois. Both received only two contributions through the first quarter of this year. Mr. Annunzio, who is chairman of the subcommittee on consumer affairs and coinage, does not need much money to be reelected, according to Mr. Meyer. (The ABA was one of the two donors to his campaign.)

Mr. Gonzalez – the chairman of the subcommittee on housing and community development and generally perceived by the industry as a consumer advocate — was given PAC money by only the Independent Insurance Agents of America and National Association of Realtors.

"He's a lost cause," said Mr. Evans of the American Financial Services Association, which among other interests represents consumer finance companies. "There's no sense in even talking to him, let alone giving money."

Mr Barnard says PAC contributions are not necessarily votes for or against a candidate, but a way to keep a lawmaker familiar with a trade group or bank. "Contributions are just like insurance for PACs. They just hope it's never really needed," he said.

PAC money is used to show approval of a candidate's past actions but is not a way to buy votes, according to the Georgia Democrat. "Money follows, rather than precedes, activity," he said. "If you're in someone's hip pocket, you always do what they want you to do, which is just not the case with most congressmen."

Mr. Barnard concedes that a candidate's need for funds can make PAC money very important. "Fortunately, I haven't needed the money in my campaigns," he said. "But if I needed the money, I'm sure I would look with some favor on that large contributor."

William Speer, treasurer of Citicorp's political action committee, agrees that money is not given to buy votes, but says voting records can dictate who is on the receiving end. Not contributing, he says, may mean, " 'You guys didn't vote [in our favor] on something, so we're not going to give you any money to show are [our] displeasure,' " he said.

Citicorp's PAC is the most active of those at the nation's 10 largest bank holding companies, providing a total of $22,475 to 28 of the House Banking Committee members' reelection drives. The second largest bank PAC, that of J.P. Morgan & Co., has contributed $5,500 to 11 representatives.

Mr. Hoyle of CUNA says the ultimate purpose of a political action committee contribution is to keep channels of communications open. "Even Barnard votes against us sometimes," he said. "We just want access to dialogue."

There are more than 4,000 PACs registered with the Federal Election Commission. Contributions are limited to $5,000 per candidate per election. The Center For Responsive Politics reported recently that the average cost of running a campaign for the House of Representitives in 1982 was $212,000. ■

Sears Opening 32 More In-Store Financial Centers

Midwest Bureau

CHICAGO — Sears, Roebuck and Co. is opening 32 more in-store financial centers this month, bringing its total number of centers to 233.

Twenty-seven of the new centers will open today in states throughout the Northeast. Specifically, 13 centers will open in Massachusetts, two in New Jersey, eight in Pennsylvania, two in Delaware, one in Connecticut, and one in Rhode Island. The Rhode Island outlet is Sears' first in-store financial center in that state.

Earlier this month, Sears opened three centers, one each in New York, Washington, and Kentucky. On July 30, Sears will open two additional stores, one in Wisconsin and another in Connecticut.

The in-store financial centers offer a complete line of consumer financial services and include representatives from various Sears subsidiaries, including Allstate Insurance Group, Coldwell Banker Real Estate Group, and Dean Witter Financial Services Group. ■